

Banking on Gen Z



Generation Z, born between 1997–2012, is the generation after Millennials. In ten years, this generation will be a sizable part of a successful financial institution's consumer base. Many Zoomers are in college and new to banking, so now is the time to start reaching out to them. In a Banking Exchange hosted [webinar](#), Paul Letgutko, Senior Principal at Aite-Novarica, Katerin Gomez, Marketing Associate at Alacriti (and also a Zoomer), and Kristen Jason, Senior Product Marketing Manager at Alacriti discussed how traditional financial institutions can stand out from challenger banks with Gen Z.

How do Zoomers Compare to Other Generations?

After the distraction of the pandemic, financial institutions realize that older Gen Z'ers are now well into their mid-twenties and getting started—and looking for financial services. Similar to Millennials ten years ago, Zoomers are going to become the most important target in the next 5–10 years. So what should financial institutions think about when developing a strategy to attract them?





Legutko began by asserting that it's not the case that Zoomers only deal with challenger banks/neobanks and are only going to be using banks like Chime, Simple, or Stash. "These Gen Z'ers have actually returned to well-known brands. After all, their parents tend to be brand and luxury conscious Gen X'ers. But that comes with a big caveat—Zoomers will be loyal to brands, but only brands that share their values.

[Seventy-five percent](#) of Zoomers said that being politically or socially engaged is very important to their identity. [Fifty-four percent](#) of Zoomers would actually stop using a brand if the company engages in unethical business practices. And [42%](#) of Gen Z'ers would rather be at a company that gives them a sense of purpose than one that actually pays them more—and this is more than Millennials or Gen X, that would rather work for a company that pays more. So brand loyalty is very important.”

As a Zoomer, what Leguko presented made a lot of sense to Gomez. “I think that brand loyalty is very important. We’re looking for a financial institution that is honest and transparent. If we sense that we’re being misled or see comments—for example on social media—that aren’t being addressed, it can affect the financial institution that we choose, or if we choose to continue that institution or not.”

It’s useful to think about the differences between Gen Z and the prior generations (shown as a comparison chart below). Baby Boomers come from a time of postwar idealism, so their behavior is described as revolutionary and cause oriented. Gen X are the parents of Gen Z, and as a result of an environment of capitalism and meritocracy dominating, they are focused on status and luxury brands and materialistic things overall. In a lot of ways, the Millennial generation is a reaction to that. Gen Y or Millennials are globalists that are all about experiences vs. the brand or the luxury article. Gen Z is all about uniqueness and being ethical. And due to their desire to work for a company that has a sense of purpose, the Great Resignation is affecting Zoomers even more so than other generations. In fact, [65%](#) of Zoomers plan to leave their job in 2022, which is more than 40% of overall workers. They will keep job hunting until they find a place that lets them operate on their own terms. And this is important because for their next job, you want their direct deposit form to be filled out for your institution instead of a digital wallet.

Today’s young people differ from yesterday’s.

				
	Baby boomer 1940–59	Gen X 1960–79	Gen Y (millennial) 1980–94	Gen Z 1995–2010
Context	<ul style="list-style-type: none"> • Postwar • Dictatorship and repression in Brazil 	<ul style="list-style-type: none"> • Political transition • Capitalism and meritocracy dominate 	<ul style="list-style-type: none"> • Globalization • Economic stability • Emergence of internet 	<ul style="list-style-type: none"> • Mobility and multiple realities • Social networks • Digital natives
Behavior	<ul style="list-style-type: none"> • Idealism • Revolutionary • Collectivist 	<ul style="list-style-type: none"> • Materialistic • Competitive • Individualistic 	<ul style="list-style-type: none"> • Globalist • Questioning • Oriented to self 	<ul style="list-style-type: none"> • Undefined ID • “Communaholic” • “Dialoguer” • Realistic
Consumption	<ul style="list-style-type: none"> • Ideology • Vinyl and movies 	<ul style="list-style-type: none"> • Status • Brands and cars • Luxury articles 	<ul style="list-style-type: none"> • Experience • Festivals and travel • Flagships 	<ul style="list-style-type: none"> • Uniqueness • Unlimited • Ethical

Source: McKinsey&Company

How Financial Institutions Can Attract Zoomers

If financial institutions are going to reach Gen Z, they need to have a presence in social media that Zoomers follow. Many financial institutions for a decade or more have had campaign initiatives on LinkedIn, Instagram, Facebook, Twitter etc. But to reach Gen Z, keep in mind that their consumption of social media is very different from Gen X'ers, in particular, platforms like TikTok. Gen Z is more likely to share their opinions and reviews on TikTok than any other generation. In 2020, there was a [210%](#) increase in hours spent on TikTok by Zoomers, and they also make up 60% of TikTok's users. Seven in ten American teenagers use TikTok. So to get their message out to this audience, financial institutions have to make sure that they are doing significant outreach on TikTok. Gomez gave her perspective. "Based on people that I interviewed at universities and friends that I've spoken with, I found that a lot of us get our financial advice from parents, but most importantly from social media—especially TikTok. There's a lot of financial advice out there on TikTok but it's not always reliable. We would appreciate having financial institutions post advice, because it comes from a more reliable source than what's being posted out there. And that also ties in with transparency because they are providing us with valuable information. The fact that an institution would go out of their way and provide us information on the platform most meaningful to us is a great step forward."

Zoomers are just starting out on their banking journey, and they are worried about their finances. [Four of the top five](#) concerns among Zoomers have to do with finance. Traditional areas of concern such as social security, national debt, or economic growth place last on the list. The top five (top priority first) are the rising cost of living, college affordability, having enough money, affordable health care, and climate change. Gen Z is hungry for financial advice and an expert to help them answer questions like what they should be looking for in a credit card or checking account, the difference between a savings and checking account, etc.

The concept of 'financial wellness' has been around for the last several years, and it's an opportunity with Zoomers. Personal financial management has morphed into things like virtual financial coaches, online financial tools, and self-service capabilities that financial institutions can provide for their customers or members to provide that guidance. These things can be offered as a bundle, and incorporate the entire financial portfolio so it brings things in from other institutions. The need for financial advice correlates with life-stages. Older millennials with heavier financial obligations are more interested than other demographics—in 5–10 years, this will be Zoomers. "We want to start planning for our future. A lot of us are in different stages of our lives, such as considering buying a house, considering taking student loans, or taking out loans to invest in stocks. This is a great opportunity for financial institutions to provide that guidance, especially during this pandemic in which our world was thrown in different directions," shared Gomez.

Gen Z was already mobile first (the average age of getting their first smartphone is [11](#)), but omnichannel is even more important as a result of the pandemic. [Zoomers](#) see banking as a digital phenomenon, with the branch as a secondary channel. Taking a step back, financial institutions need to realize how immensely disruptive

the pandemic has been on Gen Z. With boredom, canceled classes and vacations, and solitude, many of them feel that the pandemic hit them particularly hard. In 2021, [48%](#) of Zoomers (54% of them women) said they were stressed 'all' or 'most' of the time, citing 'job/career prospects' as a top cause of stress. However, there is also an upside—[27%](#) of Zoomers said they learned new work capabilities during the pandemic, which demonstrates their resilience.

What About Smaller Institutions?

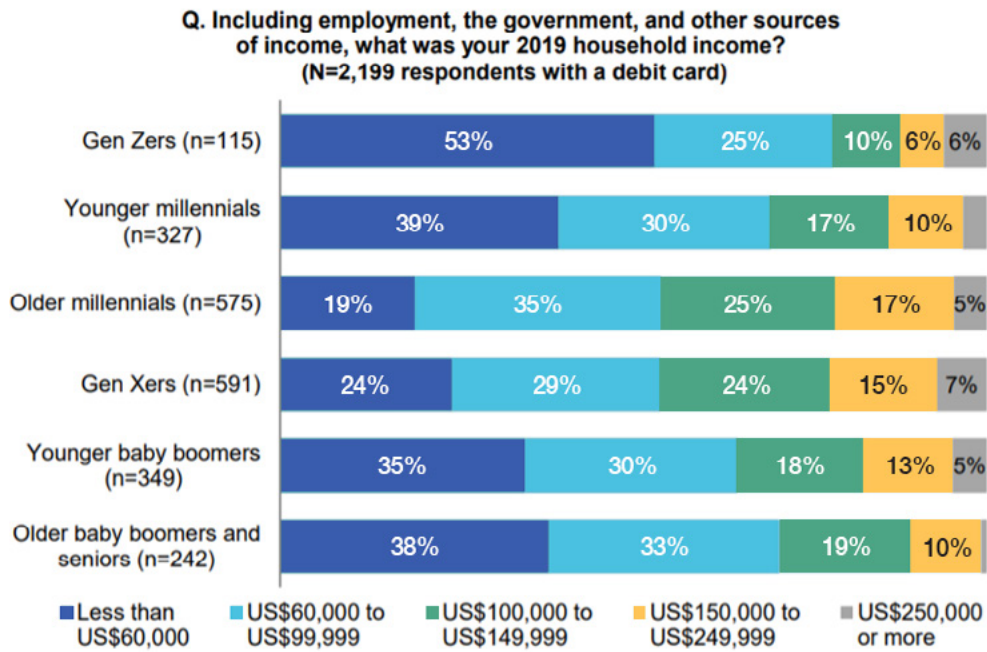
Smaller institutions may not have as big of an IT budget, but they can still attract Zoomers. There are certain advantages that credit unions and community banks have because they are in the community. There is local messaging, campaigns, and sponsorships they could do. For example, demonstrating support for local charities or youth sports teams. To impress this audience, talk about anything that you're doing that's altruistic or anything that you're doing that's promoting sustainability or environmental concerns. Since Zoomers are hungry for financial advice, encourage them to contact you for guidance. Social media is a relatively low-cost way to reach Zoomers. When leveraging social media, make sure that you are using the right platforms. For example, TikTok would be a better outreach than LinkedIn. Promptly respond to social media and comments and direct messages to deliver a personalized experience.

Smaller institutions have a reputation for personalized service. Make sure that's included in the online experience. For example offers on the mobile app that are tailored to be appropriate for the account holder signed in. For that, good analytics need to be in place. Invest in analytics that describe what people are looking at on websites, and that keep track of the activities of your customers or members.

Zoomers Are a Unique Opportunity

If financial institutions are going to reach out to Zoomers, they're going to need flexibility in channels and messaging (e.g., text chat, ATMs, voice, and live call). There are indications that Gen Z is a unique opportunity. In fact, there are a significant number that are already ready for advanced banking and capabilities. An Aite-Novarica study revealed that [6%](#) of Zoomers reported they had an income of \$250K or more. That's the biggest percentage, second only to Gen X. Five percent of Zoomers have investable assets of over \$1m.

Figure 11: Income of U.S. Consumers Who Make Interfirm A2A Transfers by Generation



Source: Aite Group and Visa Inc. survey of 2,199 U.S. consumers, Q2 2020

Nineteen percent of Zoomers are using a digital-only challenger bank and are most likely to use them for A2A transactions, which is a missed opportunity for traditional banks and credit unions. Seventy-three percent of Zoomers use payments apps, and 76% use P2P. Forty-six percent of Zoomers make payments with a mobile wallet. Omnichannel isn't just about having capabilities, it's about providing customers with choice and self-service options. For digital natives like Zoomers, the digital experience comes first. Gomez remarked, "Personally, I rarely visit a branch anymore. And I think a lot of zoomers are more inclined to use the mobile app because it's just much easier and more convenient. One of the things that pops into mind is chatbots. For example, if I have a question I'd rather not call in and wait until I speak to someone and then repeat the information all over again. I'd rather just chat and have my question answered easily, or pay by text to have a payment scheduled. It's just much easier when you're using an app. Another thing that comes to mind are video chats instead of having to go into a branch. Especially in the pandemic, the video call was much easier than going in person for issues."

Avoiding Being Canceled

An important question to consider is 'how can we avoid being canceled by Zoomers?'. Zoomers care a lot about ethical practices. Gomez added, "I think it's important for them to be transparent. Zoomers are looking for transparency and honesty. If a mistake is made or an issue has come up, it needs to be addressed publicly. Social media is a great way to reach Zoomers because that's the first platform that we're going to go to and make comments on. So addressing the issue - in a timely manner - on social media is a big step in the right direction. State the issue, take responsibility,

and say how it can be improved and prevented from reoccurring. If we sense that you're ignoring those comments and not saying anything at all, it can really affect if we want to continue doing business with you."

Jason added "Think about what you are investing in from a PR standpoint, keeping in mind that there's really no such thing as a quiet deal anymore. Also discuss who you're doing business with preemptively. There's a lot of statistics on lending being disproportionately allocated to exclude select groups. So make sure that not only is your lending strategy inclusive, but that you're also proactively communicating that with your community."

Invest in a very good social media monitoring team that's equipped to react quickly to anything that might come up. They should be informed of metrics including your financial institution's carbon footprint, diversity, and inclusion. These numbers can help them to work with PR to get defensive messaging out quickly.

Solutions

Jason recommended solutions to attract Zoomers. "The Zoomer generation is expecting both speed and convenience. Payments and money movement are often the face of your institution, and how people gauge how easy it is to do business with you before deepening the relationship. Alacriti's [Orbipay platform](#) helps banks and credit unions deliver that modern payments experience."

Alacriti's [Orbipay EBPP](#) is a customizable billing and payment solution that has numerous direct channels, including Zoomer friendly payment options such as Facebook messenger, Amazon Alexa, and Pay By Text. Alacriti also offers an AI chatbot, [Ella](#), that account holders can use to make payments. These alternative channels provide a convenient way to really impact the way Zoomers perceive your financial institution.

Jason provided insight into the value of real-time payments for Zoomers. "At this point, the benefits of real-time payments are clear to most. But it's especially noteworthy that Generation Z really cares about this convenience. Almost [40%](#) would switch institutions just on the basis of real-time payments. With Zoomers just starting out, the ability to get their paychecks in real time has tremendous value. And the ability to get funds immediately is a must have. And I would say that this is especially true for Zoomers in college. It's a benefit that's both important to a Zoomer and their parents. And arguably parents are a vessel to reach this audience because our typical first foray into banking is usually through our parents." Gomez agreed on behalf of her generation. "I think there's like a 50-50 in that we still do look into talking to our parents to get financial advice and looking into different financial institutions, but also we do our own research as well. Because a lot of us are tech savvy and we know how to search on the web for what is convenient for us. So there is a mix of both."

The Alacriti [Cosmos](#) solution connects financial institutions with real-time payment rails—The Clearing House RTP® network, and eventually the FedNowSM Service (when it goes live). Alacriti works with existing systems, allowing financial institutions to start out the best way that works for them, whether that's to jump right in or

begin with receive-only. RfP is a feature of real-time networks. It offers Zoomers the convenience of paying their bills without having to log-in to their biller website. The same way as their friends would request money, a biller is able to send a message and request payment, and it comes right along with the invoice information. This is the ultimate in convenience; instead of having to go through all of your different logins for every bill, e.g. a cell phone or utility bill, the receiver can just use the message that's sent by the biller to pay the bill. In addition, it can be paid right on the due date to provide a little more time.

Some of our markets [largest banks and billers](#) are piloting RfP. A really great example is Verizon's collaboration with BNY Mellon and Citigroup to expedite delivery and processing for their bills. In this partnership, BNY Mellon is the billing bank, Verizon is a biller, and Citigroup is a consumer's bank. They're emphasizing to the customers that this service is a way to avoid overdraft. Since this is in real time, it's not a payment that's forgotten about and deducted from the payor's account days later, resulting in overdraft. It's also a convenient alternative for Zoomers who have weekly budgets or irregular income streams where automatic bill pay is either inconvenient or unfeasible. Currently, there is a Top 5 U.S. Bank that is now offering RfP to billers to provide a better bill pay experience to customers through Alacriti's [Cosmos RTP platform](#).

"The way people pay one another is changing. Just think about how popular services are like Zelle and Venmo. As a Millennial, almost everyone I know uses these services. I'm sure for Zoomers, it's even more. So at this point it's safe to say that digital payments have displaced traditional payment methods like cash and checks, and the same goes for businesses as well. For example, Uber—they're offering the ability for drivers to cash their earnings up to five times a day and DoorDash drivers can withdraw their earnings once daily," Jason commented.

Today, consumers and especially Zoomers now expect digital payouts from businesses and instant access to their funds. [Orbipay Digital Disbursements](#) makes that possible with self-service options and alerts and notifications by email or text, thereby reducing the costs that are associated with paper checks while also increasing satisfaction.

Jason concluded "Overall, all generations are looking for convenience. And if you want to provide an experience that rivals challenger banks, payments modernization is an important step in that process."

To learn more about attracting Zoomers, watch the full webinar, **Banking on Gen Z**, featuring Aite-Novarica Group and Alacriti.



Today's legacy and siloed banking technology infrastructure limit financial institutions' ability to rapidly innovate. It's time to look at money movement in a new way. Alacriti's Orbipay Unified Money Movement Services does just that. Whether it's real-time payments, digital disbursements, or bill pay, our cloud-based platform enables banks and credit unions to quickly and seamlessly deliver modern digital payments and money movement experiences. To speak to an Alacriti payments expert, please call us at (908) 791-2916 or email info@alacriti.com

Alacriti